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NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

PAID-UP OIL AND GAS LEASE (No Surface Use)

THIS LEASE AGREEMENT is made this 21 day of July, 2010 by and between Peyco Warehouses, LTD., A Texas Limited Partnership, whose address is 1703 N. Peyco Drive Arlington, Tx. 76001 Lessor (whether one or more), and Dale Property Services, L.L.C., whose address is 2100 Ross Avenue, Suite 1870 Dallas Texas, 75201 as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. **Grant.** In consideration of Ten Dollars and other consideration in hand paid, Lessor grants and leases exclusively unto Lessee the following described land (the land) in **Tarrant County, Texas**, for the sole purpose of exploring, drilling, and producing oil and gas, laying pipelines and building roads and tanks thereon to produce, save, treat, process, store, and transport oil and gas and other products manufactured from oil and gas produced from the Land more particularly described as follows:

4.752 acres of land, more or less, out of the David Russell Survey, abstract No. 1323, Tarrant county, Texas, and being more particularly described by metes and bounds in that certain deed dated May 28, 1999, by and between the Estate of Jane King Yarbrough, as Grantor, and Peyco Warehouses, LTD., as grantee, recorded in instrument D199141750, of the Deed Records of Tarrant County, Texas

2. **Primary Term.** This lease is for a term of **Two (2)** years from this date and so long thereafter as oil or gas is produced from the Land in paying quantities.

3. **Minerals Covered.** This lease covers only oil and gas. The term oil and gas means oil, gas, and other liquid and gaseous hydrocarbons produced through a well bore.

4. **Royalty.** (a) As royalties, Lessee agrees:

(1) To deliver free of costs to Lessor at the wells or to the credit of Lessor at the pipeline to which the wells may be connected, One-Fourth (1/4th) of all oil and other liquid hydrocarbons produced and saved from the land. At Lessor's option, which may be exercised from time to time, Lessee shall pay to Lessor the same part of the market value at the well of oil and other liquid hydrocarbons of like grade and gravity prevailing in the area on the day the oil and other hydrocarbons are run from the lease.

(2) To pay to Lessor:

(i) On gas produced from the Land and sold by Lessee or used on or off the Land and to which the following subparagraphs (ii) and (iii) do not apply, the Royalty Fraction of the market value at the point of sale, use, or other disposition.

(ii) On gas produced from the land that is processed in a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the higher of the Royalty Fraction of the market value of the gas at the inlet to the processing plant, or the Royalty Fraction of the market value of all processed liquids saved from the gas at the plant plus the Royalty Fraction of the market value of all residue gas at the point of sale, use, or other disposition.

(iii) On gas produced from the Land that is processed in facilities other than a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the Royalty Fraction of the market value at the plant of all processed liquids credited to the account of Lessee and attributable to the gas plus the Royalty Fraction of the market value of all residue gas at the point of sale, use, or other disposition.

(b) The market value of gas will be determined at the specified location by reference to the gross heating value (measured in British thermal units) and quality of the gas. The market value used in the calculation of oil and gas royalty will never be less or more than the total proceeds received by Lessee in connection with the sale, use, or other disposition of the oil or gas produced or sold. For purposes of this paragraph, if Lessee receives from a purchaser of oil or gas any reimbursement for all or any part of severance or production taxes, or if Lessee realizes proceeds of production after deduction for any expense of production, gathering, dehydration, separation, compression, transportation, treatment, processing, storage, or marketing, then the reimbursement or the deductions will be added to the total proceeds received by Lessee. Royalty will be payable on oil and gas produced from the Land and consumed by Lessee on the Land for compression, dehydration, fuel, or other use.

(c) Lessor's royalty will never bear, either directly or indirectly, any part of the costs or expenses of production, separation, gathering, dehydration, compression, transportation, trucking, processing, treatment, storage, or marketing of the oil or gas produced from the Land or any part of the costs of construction, operation, or depreciation of any plant or other facilities or equipment used in the handling of oil or gas. Notwithstanding the foregoing, Lessor's royalty shall be calculated and paid based on the price received by Lessee from a non-affiliated third party purchaser.

(d) Lessor shall be paid the Royalty Fraction of all payments and other benefits made under any oil or gas sales contract or other arrangement, including take-or-pay payments and payments received in settlement of disputes: provided that if Lessor receives a take-or-pay payment or similar payment for gas that has not been produced, and if the gas is subsequently produced, Lessor will only receive its Royalty Fraction of any payments made for make-up gas taken pursuant to the take-or-pay provision or similar provision.

(e) If gas produced from the land is sold by Lessee pursuant to an arms-length contract with a purchaser that is not an affiliate of Lessee, and the contract provides for net proceeds to be paid to Lessee that equal or exceed the market value of the gas at the point of delivery to the purchaser, and for a term no longer than which is usual and customary in the industry at the time the contract is made, then the market value of the gas sold pursuant to the contract shall be the total proceeds received by Lessee in the sale, subject to the provisions of paragraph 4(b) above.

(f) As used in this paragraph, affiliate means (i) a corporation, joint venture, partnership, or other entity that owns more than ten percent of the outstanding voting interest of Lessee or in which Lessee owns more than ten percent of the outstanding voting interest; or (ii) a corporation, joint venture, partnership, or other entity in which, together with Lessee, more than ten percent of the outstanding voting interests of both Lessee and the other corporation, joint venture, partnership, or other entity is owned or controlled by the same persons or group of persons.

(g) Lessee must disburse or cause to be disbursed to Lessor its royalty on production from a particular well not later than 90 days following the first day of the month after first sales completion of the well, in the case of an oil well, or after the pipeline connection, in the case of a gas well. Thereafter, Lessee must disburse or cause to be disbursed to Lessor its royalty on production by the last day of the second month after the month of production. If not paid when due, Lessor's royalty will bear interest at the rate of interest per annum most recently published by *The Wall Street Journal* as the Aprime rate@ on corporate loans for large U.S. commercial banks plus 2% from due date until paid, which amount Lessee agrees to pay.

(h) Acceptance by Lessor of royalties that are past due will not act as a waiver or estoppel of its right to receive interest due thereon unless Lessor expressly so provides in writing signed by Lessor.

(i) The receipt by Lessee from a purchaser or a pipeline company of proceeds of production for distribution to Lessor will not result in Lessee acquiring legal or equitable title to those proceeds, but Lessee will at all time hold the proceeds in trust for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser or production from the Land or pipeline company transporting production from the land, Lessee will remain liable for payment to Lessor for, and agrees to pay Lessor all royalties due Lessor together with interest if not timely paid.

5. **Shut-in Royalty.** After the Primary Term, if there is a gas well on this Lease capable of producing in paying quantities, but gas is not being sold, Lessee shall pay or tender in advance an annual royalty of \$1,000.00 for each well from which gas is not being sold. Payment with respect to a well will be due within 60 days after the well is shut-in. While royalty payments are timely and properly paid, this Lease will be held as a producing lease. After the end of the primary term, this lease may not be maintained in force solely by reason of shut-in royalty payments for any shut-in period of more than two (2) years, or from time to time, for shorter periods which exceed two (2) cumulative years. The obligation of Lessee to pay shut-in royalty is a condition and not a covenant. The payment or tender of royalty under this paragraph may be made by the check of Lessee mailed or delivered to the parties entitled thereto on or before the due date.

6. Continuous Drilling. (a) If this Lease is maintained beyond the expiration of the Primary Term by production or otherwise, it will remain in force as to all acreage and depths as long as there is no lapse of more than 120 days between the completion of one well and the commencement of the actual drilling of another well. The commencement of actual drilling means the penetration of the surface with a drilling rig capable of drilling to the anticipated total depth of the well. After a well is commenced, drilling operations must continue in a good and workmanlike manner in a good faith effort to reach the anticipated total depth with no cessation of operations for more than 60 consecutive days. For the purpose of computing the time for the commencement of actual drilling of a well, each well will be deemed to have been completed on the date of the release of the drilling rig from the drillsite, if the well is a dry hole, or on the date of completing the official Railroad Commission of Texas potential test, if the well is completed as a well capable of producing oil or gas.

(b) If at any time the maximum time for the commencement of the actual drilling of a well expires without the commencement of the well, or upon the expiration of the Primary Term if the Lease is not maintained by continuous drilling, this Lease will terminate except as to the acreage included within a proration unit surrounding any well that is then producing in paying quantities or deemed to be producing in paying quantities by virtue of payment of shut-in royalties (hereafter a Retained Tract), and as to each Retained Tract, the Lease will then terminate as to all depths below 100 feet below the stratigraphic equivalent of the base of the deepest producing formation on the Retained Tract. The Lease will be treated as a separate lease with respect to each Retained Tract and will continue so long as production in paying quantities continues from the tract. If production from a Retained Tract ceases from any cause, this Lease will terminate as to that tract unless Lessee commences operations for drilling or reworking on the tract within 60 days after cessation of production, in which case the Lease as to that tract will continue in force as long as the operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in production, so long thereafter as there is production from the tract.

7. Pooling. Lessee shall have the right but not the obligation to pool all of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 320 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so.

8. Water Wells. Lessee shall not drill a water well on the above described property.

9. Offset Wells. In the event a well producing oil or gas is completed on adjacent or nearby land and is draining the Land, Lessee must, within 90 days after the initial production from the offsetting well as would a reasonably prudent operator under the same or similar circumstances, commence operations for the drilling of an offset well on the Land and must diligently pursue those operations to the horizon in which the offsetting well is producing, or at the option of Lessee: (i) execute and deliver to Lessor a release in recordable form of the acreage nearest to the offsetting well; or (ii) pay Lessor as a royalty each month a sum equal to the royalty that would be payable under this Lease if the production from the offsetting well had come from the Land. In the event acreage is released pursuant to (i) above, the release will cover a size and shape so as to permit a producing well, if drilled on the released acreage, to be allocated the same maximum production allowable as the offsetting well. An offsetting well producing from a bottom hole location within 600 feet of the land shall be presumed to be draining the land.

10. Secondary Recovery. Lessee will not implement any repressuring, pressure maintenance, recycling, or secondary recovery operations without the prior written consent of Lessor, which consent will not be unreasonably withheld.

11. Fixtures. While Lessee is not in default under this Lease, and except as otherwise provided, Lessee will have the right at any time within six months after the expiration of this Lease to remove all property and fixtures placed by Lessee on the Land, including the right to draw and remove all casing. At Lessor's option, all property and fixtures will become the property of Lessor if not removed within the permitted period. Lessee may not remove any gates or cattle guards installed by it.

12. Surface Operations. It is hereby understood and agreed that there shall be no drilling or other operations conducted on the surface of the property described herein without written consent of Lessor.

13. Assignments. Lessor is granting rights to Lessee that Lessor would not grant to others. Therefore, prior written approval of Lessor is required for any assignment or sublease of this Lease, except as to assignments to officers or subsidiaries of Lessee. Lessor's approval will not be unreasonably withheld. All assignments and subleases must require the assignee or sublessee to assume all of Lessee's obligations under this Lease.

14. Force Majeure. Should Lessee be prevented by reason of Force Majeure from complying with any express or implied covenant of this Lease (other than a requirement to pay money), from conducting drilling or reworking operations on the Land, or from producing oil or gas, then while so prevented, that covenant will be suspended; Lessee will not be liable for damages for failure to comply therewith; this Lease will be extended so long as Lessee is prevented from conducting drilling or reworking operations on or from producing oil or gas from the Land; and the time while Lessee is so prevented will not be counted against Lessee. Force Majeure means any Act of God, any federal or state law, or any other rule, or regulation of governmental authority, or other cause (other than financial reasons) beyond Lessee's control. This paragraph is, however, in all things subject to the limitations of time during which this Lease may be continued in force by the payment of shut-in gas royalties.

15. No Warranties. Lessor makes no warranty of any kind with respect to title to the Land. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land, and Lessee assumes all risk of title failures. If Lessor owns an interest in the Land less than the entire fee simple estate, then the royalties payable hereunder will be reduced proportionately. Lessee, at its option, may discharge any tax, mortgage, or other lien on the Land, and in the event Lessee will have the option of applying the royalties accruing to Lessor toward payment of it.

16. Curing Defaults. Should Lessee at any time fail to comply with its obligations hereunder regarding construction, maintenance, or repair within 30 days after written notice from Lessor, Lessor will have the right to do or have done whatever is necessary to fulfill the obligations to its satisfaction, and Lessee shall be liable to Lessor for the reasonable and necessary expenses thus incurred by Lessor, to be paid within ten days after Lessor furnishes to Lessee an itemized written statement of the expenses c/o Land Manager of Barnett Shale Division, P.O. Box 18496, Oklahoma City, OK 73154-0496.

17. Notices. All notices will be deemed given and reports will be deemed delivered if sent by certified letter, properly addressed and deposited in the United States mail, postage prepaid, to Lessor and Lessee at the addresses shown above.

18. Attorney's Fees. In the event that Lessor shall be required to employ legal counsel for the enforcement of any provision of this Lease and prevails, Lessor will be entitled to recover from Lessee reasonable attorney's fees and expenses incurred by Lessor.

19. Insurance. At all times while this Lease is in force, Lessee shall acquire and maintain insurance covering all of its operations on the Land, including any work performed on its behalf by contractors, subcontractors, and others. The policies shall include coverage for comprehensive general liability for bodily injury and property damage with a limit of \$3,000,000.00, blowout and loss of well coverage, and coverage for any damage to the environment resulting from a blowout, including coverage for the cost of clean up and surface remediation, with a limit of \$3,000,000.00. In addition Lessee shall maintain an Umbrella Policy in the amount of \$10,000,000.00. Lessee shall furnish a certificate from the issuing insurance company or companies evidencing the coverage.

20. Indemnity. LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE INCLUDING THOSE FOR INJURY TO OR DEATH OF PERSONS, LOSS OR DAMAGE TO PROPERTY, TRESPASS OR NUISANCE, AND INCLUDING, WITHOUT LIMITATION, ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY, OR RESULTING FROM LESSEES OPERATIONS ON THE LAND, LESSEE'S MARKETING OF PRODUCTION FROM THE LAND, OR ANY VIOLATION OF ANY LAW, RULE, REGULATION OR ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM LESSEE INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS.

21. Miscellaneous Provisions. (a) In the event this Lease expires for any reason as to all or any part of the Land, Lessee shall promptly furnish Lessor with a written, recordable release covering all of the Land or that portion of the Land to be released.

(b) Nothing in this Lease negates the usual implied covenants imposed Lessee.

(c) Lessee will give Lessor at least five days prior notice in writing before conducting drilling, recompletion, or reworking operations on the Land. Upon request by Lessor, Lessee shall furnish to Lessor copies of applications to drill, well tests, completion reports, plugging records, and production reports. Lessor has the right, personally or by representative, at Lessor's sole risk and expense, of access to the derrick floor to observe all operations on all wells drilled on the Land. Lessor will have the right to inspect and take samples of all cores and cuttings and witness the taking of all logs and drill stem tests, and Lessee agrees to furnish Lessor with copies of all logs and surveys taken promptly after taking them. Lessee will divulge to Lessor correct information as requested by Lessor as to each well, the production therefrom, and such technical information as Lessee may acquire. Lessor has the right to be present when wells or tanks are gauged and production metered and has the right to examine all run tickets and to have full information as to production and runs and to receive copies of all run tickets upon request. All confidential information provided to Lessor hereunder, which is designated as confidential by Lessee shall be held in the most strict confidence, for a period of one year or until the information is no longer confidential.

(ii) Lessor shall the right to audit Lessee's books and records associated with Lessor's production at a time and place agreeable to both Lessor and Lessee, to the extent necessary to determine all accounts due Lessor pursuant to this lease.

(d) The term production means production in paying quantities. No obligation of Lessee to pay money under this Lease will be excused or delayed by Force Majeure. Lessee's obligations to pay money under this Lease are to be performed in Tarrant County, Texas. Paragraph headings are used in this Lease for convenience only and are not to be considered in the interpretation or construction of this Lease. The execution or ratification by Lessor of any division order, gas contract, or any other document will not alter any provision of this Lease unless the intent to do so is expressly stated in the document. Under no circumstances may Lessee, its agents, employees, or contractors bring firearms or dogs or other animals on the Land or hunt or fish on the Land. Lessee agrees to furnish to Lessor a copy of each title opinion or report obtained by Lessee that covers all or any part of the Land together with a copy of each title curative document obtained by Lessee.

(e) This Lease is binding upon and for the benefit of Lessor, Lessee, and their respective heirs, personal representatives, successors, and assigns.

(f) Notwithstanding any provision of this Lease to the contrary, Lessee hereby waives, releases and relinquishes any and all right or privilege to use any portion of the surface of the land covered by this Lease for any purpose whatsoever, including, without limitation, any oil, gas or other mineral exploration or development operation; locating any frac pit, pipeline, tank battery, meter, compressor, powerline, housing or other structure thereon; or building or using any roadway or right of way providing access to or from any oil or gas operation conducted by Lessee on lands adjacent to the Property. Lessee shall not inject any salt water under the land.

It is hereby understood and agreed that there shall be no drilling operations conducted on the surface of the property described herein without written consent of Lessor.

DISCLAIMER OF REPRESENTATIONS: Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

Executed on the date first written above.

LESSOR:

Peyco Warehouses, LTD, a Texas Limited Partnership

By: Peyco Properties, Inc., Its General Partner

Signature:

By: Elizabeth Cross

As: President Peyco Properties, Inc.

CORPORATE ACKNOWLEDGMENT

STATE OF TEXAS

COUNTY OF TARRANT

This instrument was acknowledged before me on the 21 day of July, 2010, by Elizabeth Cross, President of Peyco Properties, Inc., general partner of Peyco Warehouses, LTD, a Texas Limited Partnership, on behalf of said partnership.



Notary Public, State of Texas

Notary's name (printed):

Notary's commission expires:

County of _____

This instrument was filed for record on the _____ day of _____, 20____, at _____ o'clock _____ M., and duly recorded in

Book _____, Page _____, of the _____ records of this office.

By _____

Clerk (or Deputy)

SUZANNE HENDERSON

COUNTY CLERK



100 West Weatherford Fort Worth, TX 76196-0401

PHONE (817) 884-1195

DALE RESOURCES LLC
2100 ROSS AVE STE 1870
DALLAS, TX 75201

Submitter: DALE RESOURCES LLC

DO NOT DESTROY
WARNING - THIS IS PART OF THE OFFICIAL RECORD.

Filed For Registration: 7/28/2010 3:40 PM

Instrument #: D210182183

LSE

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PGS

\$24.00

By: _____

Suzanne Henderson

D210182183

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY
BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

Prepared by: VMMASSINGILL